

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

USIA-15 CCO-00 OTPE-00 EB-11 FCC-03 OC-06 COME-00

DRC-01 /116 W

----- 127487

R 031528Z JUL 74

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 4282

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

LIMITED OFFICIAL USE BRASILIA 4912

E.O.11652: N/A

TAGS: EGEN, ETEL, BR

SUBJECT: REAFFIRMING OF GOB TELECOMMUNICATIONS POLICY

REF: RIO 3264

1. SUNDAY, JUNE 30, EDITION OF MAJOR NEWSPAPER, JORNAL DO BRASIL REPORTS THAT IN LINE WITH THE DESIRE OF PRESIDENT GEISEL TO SUPPORT THE NATIONAL TELECOMMUNICATIONS INDUSTRY, TELEBRAS (GOB NATIONAL TELECOMMUNICATIONS HOLDING COMPANY) HAS DECIDED TO PARTICIPATE IN THE CAPITAL OF THREE BRAZILIAN TELECOMMUNICATIONS COMPANIES. THE REASONING BEHIND THIS PARTICIPATION, AS GIVEN BY MINISTER OF COMMUNICATIONS QUANDT, WAS TO PREVENT THESE COMPANIES FROM BEING ABSORBED BY FOREIGN FIRMS. MINISTER QUANDT, HOWEVER, AGAIN CONFIRMED THT THERE IS NO INITIATIVE BY THE GOVERNMENT OR FEELING ON THE PART OF TELEBRAS THAT THE GOB SHOULD PARTICIPATE AS A SHOREHOLDER IN FOREIGN COMMUNICATIONS COMPANIES OPERATING IN BRAZIL. HE ADDED THAT HE CONSIDERS COMMENTS, IN CERTAIN SECTORS OF THIS INDUSTRY, THAT A POLICY OF INCREASED GOVERNMENT OWNERSHIP DOES EXIST AS

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"ABSURD". THOUGH THERE IS NO SUCH INTEREST ON THE PART OF GOB

TO ENGAGE IN SUCH PARTICIPATION, ALL THE FOREIGN TELECOMMUNICATION COMPANIES OPERATING IN BRAZIL HAVE OFFERED TELEBRAS THIS OPPORTUNITY.

2. ACCORDING TO THE PRESS REPORT, QUANDT STATED THAT GOB PARTICIPATION IN FOREIGN COMPANIES WOULD ONLY TAKE PLACE AS A LAST RESORT IF IT IS DETERMINED THAT FOREIGN COMPANIES ARE NOT ABIDING BY COMMITMENTS MADE TO THE GOB OR SUCH FIRMS ARE NOT WILLING TO PRODUCE COMPONENTS THAT THE GOB DEEMS NECESSARY, AS FOR EXAMPLE, RURAL TELEPHONE EQUIPMENT FOR WHICH THE DEMAND IS PRESENTLY NOT VERY GREAT. HE ALSO STATED THAT THE GOVERNMENT DOES NOT WANT THE TELECOMMUNICATIONS INDUSTRY TO INCREASE ITS PRODUCTIVECAPACITY AT A GREATER RATE THAN THAT PLANNED BY THE GOVERNMENT.

3. COMMENT: QUANDT'S COMMENTS, AS REPORTED BY THE PRESS, ARE ANOTHER INDICATION OF THE COMMUNICATIONS MINISTRY'S NEED TO CLARIFY ITS POLICY AS REPORTED REFTEL. QUANDT'S STATEMENT APPEARS INTENDED TO REASSURE FOREIGN FIRMS THAT THEY ARE NOT THE TARGET OF INCREASED GOB PARTICIPATION. HE ALSO SERVED NOTICE THAT THE GOB DOES INTEND TO ACTIVELY BOLSTER DOMESTIC PRODUCERS. CONGEN RIO HAS BEEN INFORMED THAT ONE US COMPANY PLANNING A TELECOMMUNICATIONS INVESTMENT IN BRAZIL, DID OFFER TELEBRAS A PARTICIPATION IN THE PROJECT BUT WAS TURNED DOWN BY THE GOB. CRIMMINS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TELECOMMUNICATION, POLICIES, TELEVISION SYSTEMS, GOVERNMENT CORPORATIONS, FOREIGN INVESTMENTS, PRESS CONFERENCES
Control Number: n/a
Copy: SINGLE
Draft Date: 03 JUL 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: shawdg
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974BRASIL04912
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740177-0610
From: BRASILIA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740778/aaaacpbo.tel
Line Count: 85
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: RIO 3264
Review Action: RELEASED, APPROVED
Review Authority: shawdg
Review Comment: n/a
Review Content Flags:
Review Date: 09 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <09 SEP 2002 by rowelle0>; APPROVED <14 FEB 2003 by shawdg>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: REAFFIRMING OF GOB TELECOMMUNICATIONS POLICY
TAGS: EGEN, ETEL, BR, (OLIVEIRA, EUCLIDES QUANDT)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005